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C O N F I D E N T I A L SECTION 01 OF 02 ROME 000928

NOFORN
SIPDIS

EEB FOR DAS HENGEL

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TAGS: ENRG EPET ETTC IR IT PREL

SUBJECT: ITALIAN "MORAL SUASION" PUTS IRANIAN PROJECT ON HOLD

REF: A. STATE 79527
1B. ROME 431
1C. STATE 31399
1D. 2009 ROME DAILY REPORT: ITALIAN COMPANY TO SIGN AGREEMENT
1E. FOR NEW GAS TREATMENT PLANT IN IRAN
1F. JUNE 24 2009 LEAF-BRADLEY-GOLDBERGER-HALE EMAIL
1G. ROME JUNE 10 2009 AYALA-COULTER-NEPHEW-JESTER EMAIL

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Classified By: A/DCM Nace Crawford for reasons 1.4 b and d

1.(C/NOFORN) SUMMARY: In response to Embassy demarches, the Italian government has persuaded an Italian company, Maire Tecnimont, to suspend its participation in the construction of a multi-billion dollar gas treatment plant in Iran. END SUMMARY.

2.(C/NOFORN) Beginning in April 2009, Embassy Rome has been urging the Italian government to use its influence to halt the proposed participation by the Italian engineering firm Maire Tecnimont in the construction of a new gas treatment plant in Tambak, Iran (REF A). In our latest round of demarches, on August 4 we met with MFA Political Affairs Bureau Deputy Director General Filippo Formica. Formica did not have details on the Maire Tecnimont case (he explained that it was not in his portfolio), but he did say that the GOI had already asked Italian companies not to enter into such industrial ventures with Iran. Formica sought to reassure us that Italy is doing its part in keeping pressure on Iran. He noted that the Italian export insurance coverage agency SACE had stopped issuing new coverage to Italian companies for Iran, and concluded, "where we can act, we do so."

13. (C/NOFORN) On August 6, Post heard from the MFA's Iran desk that GOI "moral suasion" had, in fact, already caused Maire Tecnimont to suspend its participation in this project. On August 11 EconCouns met with MFA Economic Bureau Deputy Director General Claudio Spinedi, who confirmed that the Maire Tecnimont Iran project has been suspended.

4.(C/NOFORN) Spinedi said that the MFA had weighed in with Maire Tecnimont, and that as a result of this "moral suasion," the Italian company had agreed to put this Iran deal on hold. Spinedi presented this action as part of ongoing efforts by the MFA to discourage Italian companies from pursuing major deals with Iran. He said that this was in

line with Prime Minister Berlusconi's discussion with POTUS on the need to maintain a common front on Iran as part of the current dual-track strategy. Spinedi could not say, however, how long Maire Tecnimont would refrain from moving forward on this deal. He implied that this would depend on the actions of the Iranian regime and on the results high-level USG-EU discussions on the dual-track approach to Iran (Spinedi mentioned Italian Political Director De Bernardin's planned meeting with Under Secretary Burns in Washington).

¶15. (C/NOFORN) When the discussion turned to the Iran Sanctions Act, Spinedi tried to claim that the proposed Maire Tecnimont project did not constitute an "investment" and therefore would not be actionable under the ISA. EconCouns countered with REFTEL A points noting that Washington had been interested in reviewing the possible applicability of ISA to this case. EMBOFFS noted that we had repeatedly tried to meet with the company to learn more about the proposed project, but that the company had refused to meet with us. In response, Spinedi said that after many years of concern about possible ISA sanctions, Italian firms are "afraid" of USG reps and are reluctant to talk to us.

¶16. (C/NOFORN) COMMENTS: We are pleased that our demarches have had the desired effect and that--at least temporarily--Maire Tecnimont's participation in this project has been halted. The original Iranian press announcements about this project indicated that the bulk of the work would be done by a Danish firm--Washington may wish to follow-up on this. The original press reports also mentioned participation by Italian energy giant Eni. Eni officials repeatedly told us that their company's involvement in this project is very small (in the area of 5 million Euros). We will follow-up with Eni to determine if their involvement is

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also on hold.

¶17. (C/NOFORN) We had been somewhat skeptical about the efficacy of GOI "moral suasion," but in this case it seems to have had the desired effect.

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